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A Snapshot of Federal Student Loan Debt

Counts of students who borrowed federal student loans, average amounts borrowed, and average cumulative federal student loan debt have all increased substantially in recent years. Expanded repayment flexibilities have allowed borrowers to make smaller payments over extended periods of time. Year after year, more student loan dollars are disbursed than are repaid, resulting in an expanding federal loan portfolio. Nearly 43 million individuals—one in six adult Americans—have federal student loan debt, and the federal student loan portfolio now exceeds $1.4 trillion.

Annual Borrowing

The primary federal student loan programs are authorized under Title IV of the Higher Education Act of 1965 (HEA). U.S. Department of Education (ED) data show that from academic year (AY) 1995-1996 to AY2011-2012, the number of undergraduate students borrowing Title IV loans increased by 124%, from 4.1 million to nearly 9.3 million, while the average annual amount borrowed increased by 71%, from $3,800 to $6,500 (**Table 1**). In AY2015-2016, undergraduate borrowing of Title IV loans decreased to 7.0 million, but the average loan amount rose to $6,700.

Table 1. Numbers of Students Who Borrowed HEA Title IV Loans and Average Annual Amount Borrowed

(Estimates for AY1995-1996 through AY2015-2016)

	Undergraduate		Graduate	
Academic Year	Number (thousands)	Average Amount	Number (thousands)	Average Amount
1995-1996	4,140	$3,800	688	$10,500
1999-2000	4,522	$4,200	756	$12,300
2003-2004	6,147	$4,500	1,062	$14,600
2007-2008	7,187	$5,100	1,349	$17,700
2011-2012	9,266	$6,500	1,597	$21,200
2015-2016	7,039	$6,700	1,427	$23,700

Source: ED, National Postsecondary Student Aid Studies (NPSAS): 1996, 2000, 2004, 2008, 2012, and 2016.

Notes: Nominal dollars. Includes 50 states and DC only.

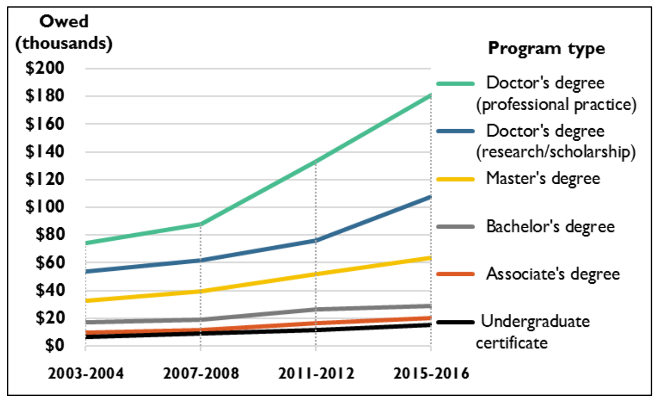
From AY1995-1996 to AY2011-2012, the number of graduate students who borrowed Title IV loans increased by 132%, from 688,000 students to nearly 1.6 million, while average amounts borrowed increased by 102%, from $10,500 to $21,200. Increased borrowing was fueled in part by graduate students becoming eligible to borrow PLUS Loans in AY2007-2008. By AY2015-2016, graduate borrowing dropped to 1.4 million students, but the average amount borrowed increased to $23,700. That year, graduate students borrowed 37% of Title IV loan dollars disbursed.

Cumulative Amounts Owed

Students often borrow more than one loan and cumulative borrowing has increased in recent years. **Figure 1** shows changes in cumulative debt for program completers.

Figure 1. Average Cumulative Amounts Owed on HEA Title IV Loans at Program Completion

(Estimates for AY2003-2004 through AY2015-2016)



Source: ED, NPSAS: 2004, 2008, 2012, and 2016.

Notes: Nominal dollars. Includes 50 states and DC only. Figures for graduate degree programs also include undergraduate borrowing.

Undergraduate certificate. In AY2003-2004, 50% (207,300) of undergraduate certificate recipients had Title IV loans and owed an average of $6,300. In AY2015-2016, 60% (389,000) of certificate recipients had Title IV loans and owed an average of $15,400.

Associate's degree. In AY2003-2004, 31% (329,700) of students who earned an associate degree had Title IV loans and owed an average of $9,700. By AY2015-2016, 42% (581,000) of associate's degree recipients had Title IV loans and owed an average of $19,900.

Bachelor's degree. In AY2003-2004, 58% (980,000) of students who earned a bachelor's degree had Title IV loans and owed an average of $16,900. By AY2015-2016, 63% (1.3 million) of students earning a bachelor's degree had Title IV loans and owed an average of $28,900.

Master's degree. In AY2003-2004, 55% (323,800) of students who earned a master's degree had Title IV loans and owed an average cumulative total of $32,700. By AY2015-2016, 54% (459,400) of master's degree recipients had Title IV loans and owed an average of $63,700.

Doctor's degree (research/scholarship). In AY2003-2004, 44% (40,500) students who earned a doctoral degree in research and scholarship fields (e.g., Ph.D.) had Title IV loans and owed an average of $53,900. By AY2015-2016, 45% (30,500) had loans and owed an average of $107,600.

Doctor's degree (professional practice). In AY2003-2004, 81% (75,400) of students who earned a professional practice doctoral degree (e.g., M.D., J.D.) had Title IV loans and owed an average of $74,500. By AY2015-2016, 71% (87,100) had loans and owed an average of $181,400.

Student Loan Repayment

Repayment of Title IV student loans may be structured or temporarily delayed in myriad ways. Borrowers are relieved of making payments on their loans while they are in school, during a six-month post-enrollment grace period, while in deferment, or when granted forbearance. Upon completing or leaving school, borrowers may select from an array of loan repayment plans. They may also extend the term of their loans by including them in a new Consolidation Loan.

Student Loan Repayment Plans

Unless a borrower chooses otherwise, Title IV loans are repaid according to a standard repayment plan, with equal monthly installments paid over a period of not more than 10 years. Borrowers may also choose a graduated repayment plan in which monthly payment amounts gradually increase over time, or an extended plan in which borrowers with loan balances that exceed $30,000 may make smaller monthly payments over an extended repayment period. Several income-driven repayment (IDR) plans are available in which payment amounts are capped at a share of one's discretionary income and the repayment period may extend to 20 or 25 years. The IDR plans provide for the discharge of loan balances a borrower has been unable to repay by the end of the specified repayment term. Alternative repayment plans may be offered to borrowers determined unable to repay according to any of the other repayment plans.

Interest Accrual and Capitalization

For most Title IV loans (except need-based Direct Subsidized Loans), interest begins accruing when a loan is disbursed and continues to accrue even during periods of delayed or deferred repayment. While borrowers may delay paying the interest that accrues during these periods, it is eventually capitalized (i.e., added to the principal balance). Due to the accrual and capitalization of interest, many borrowers owe hundreds or thousands of dollars more than they initially borrowed when they begin making payments on their loans.

The IDR plans permit borrowers to repay their loans over an extended period of time and some borrowers may qualify to make monthly payments of less than even the interest that accrues on their loans (*negative amortization*). If this occurs, the unpaid interest continues to accrue and eventually may be capitalized into the principal balance of the loan, thus increasing the total amount owed.

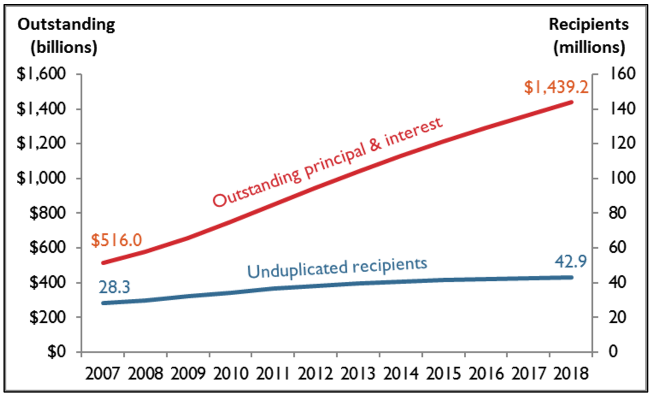
Loan Consolidation

Borrowers may simplify and extend the repayment of their Title IV loans by including them in a new Direct Consolidation Loan. Through loan consolidation, borrowers begin a new repayment term that—depending on the loan balance—may be for a period of up to 30 years. This may reduce the monthly payment amount, but may lead to an increase in the total amount of interest paid.

Student Loan Debt in the Aggregate

In just over a decade, the federal portfolio of outstanding Title IV loans increased from $516 billion in loans made on behalf of 28.3 million students, to $1.4 trillion in loans made on behalf of 42.9 million students (**Figure 2**).

Figure 2. HEA Title IV Student Loan Portfolio
(Outstanding principal and interest, FY2007 to FY2018)



Source: ED, National Student Loan Data System (NSLDS).
Notes: Nominal dollars. The loan recipient is the student on whose behalf a loan to a student or a parent is made.

Federal Student Loan Policy Issues

Congress may consider a number of policy issues related to student loan debt in the context of reauthorization of the HEA, which authorizes the federal student loan programs.

Loan availability. Should different constraints be established to limit how much student loan debt individuals may incur or the extent to which postsecondary education expenses may be financed with federal student loans?

Loan repayment terms. What are the long-term benefits and costs to borrowers and society of loan repayment flexibilities such as permitting repayment to be spread over an extended period of time or the making of reduced payments, which may lead to increased interest expenses or to unpaid debt ultimately being forgiven or discharged?

Debt and societal well-being. How do the benefits of an education financed by borrowing and the burden of student loan repayment interact and affect borrowers' opportunities and choices concerning careers, family formation, home ownership, savings, and wealth accumulation? What is the appropriate balance between requiring borrowers to repay their loans in full and offering loan forgiveness or discharge relief to certain classes of borrowers?

Sustainability of the federal loan portfolio. The federal loan portfolio is expanding with new loans being disbursed at a faster rate than existing loans are being repaid. What are the long-term implications of the federal government overseeing and administering a loan portfolio that continues to grow?

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